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Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-08 NSC-05 CIEP-01
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
INRE-00 NSCE-00 SSO-00 USIE-00 H-01 L-03 /077 W
----------172305 084686 /75-70
O R 172210Z FEB 77
FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC IMMEDIATE 2354
INFO AMEMBASSY GUATEMALA
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

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FOR TODMAN AND GIRARD, AA/LA

FROM AMBASSADOR AND USAID DIRECTOR

E.O. 11652: NA
TAGS: EAID/NU
SUBJECT: BILATERAL ASSISTANCE POLICY TOWARD LATIN AMERICA

REF: MUDGE WEISSMAN TELCON 2/16/77

RESPONDING TO DONOR LION'S INVITATION AT GUATEMALA AID MISSION DIRECTORS' CONFERENCE, AMBASSADOR AND USAID DIRECTOR OFFER FOLLOBUNG ARGUMENTS IN SUPPORT OF CONTINUED USG BILATERAL AID RELATIONSHIP WITH SPECTRUM OF DEVELOPING COUNTRIES, INCLUDING THOSE CHARACTERIZED AS MIDDLE-INCOME LDC'S.

1. WITH PRESENT LEVEL OF APPROPRIATIONS AID COULD NOT PRETEND TO HAVE MAJOR IMPACT THROUGH CAPITAL TRANSFER PER SE, EVEN IF
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ASSISTANCE WERE LIMITED TO POOREST OF LDC'S. TO BE SIGNIFICANT, AID'S ROLE MUST BE THAT OF ASSISTING LDC'S TO DEVELOP INSTITUTIONS AND SYSTEMS WHICH WILL BETTER ENABLE THEM TO MEET NEEDS OF THEIR POOR PEOPLE, RELYING ON OTHER IFI'S TO PROVIDE BULK OF FINANCIAL RESOURCES AFTER SUCH INSTITUTIONS AND SYSTEMS HAVE BEEN TESTED AND PROVEN. DEVELOPMENT OF SUCH NEW SYSTEMS AND INSTITUTIONS INVOLVES CERTAIN DEGREE OF RISK TAKING BY HOST LDC. TO EXTENT

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THEIR COUNTERPART HUMAN AND FINANCIAL RESOURCES ARE SOMEWHAT LESS LIMITED, SO-CALLED MIDDLE-INCOME LDC'S ARE BETTER ABLE TO AFFORD SUCH RISKS IN DEMONSTRATING WHETHER NEW CONCEPTS ARE WORTHY, OR IN SOME CASES NOT WORTHY, OF REPLICATION.

2. WE MUST RECOGNIZE THAT AMONG THE DEVELOPING COUNTRIES STATISTICAL DIFFERENCES IN PER CAPITA GNP CAN BE QUITE DECEPTIVE, TENDING TO MASK THE ABJECT POVERTY OF THE VAST MAJORITIES BY THE DIFFERENCES IN SIZE OF MODERN SECTORS OF THE ECONOMY WHICH ARE STILL RELATIVELY SMALL COMPARED TO THE IMPOVERISHED TRADITIONAL SECTORS. LESS SMALL MODERN SECTORS AND CONSEQUENTLY HIGHER PER CAPITAL GNP CAN JUSTIFY HIGHER COUNTERPART CONTRIBUTION REQUIREMENTS OR EVEN LESS CONCESSIONAL TERMS, BUT THEY DO NOT NECESSARILY NEGATE THE NEED FOR ASSISTANCE IN DEVISING AND ESTABLISHING THE NEW SYSTEMS AND INSTITUTIONS REQUIRED TO HELP THE POOR TOWARD A BETTER LIFE.

3.FROM A BROADER FOREIGN POLICY STANDPOINT, WE NOTE THAT IN THIS PERIOD OF INCREASING "INTERDEPENDENCE," AND PARTICULARLY OUR DEPENDENCE ON THEIR RAW MATERIALS, OUR RELATIONS WITH THE DEVELOPING COUNTRIES ARE INCREASING IN IMPORTANCE. AS INDICATED IN OUR CASP, WE BELIEVE U.S. BILATERAL PROGRAMS OF ECONOMIC COOPERATION ARE IMPORTANT IN MAINTAINING COOPERATIVE RELATIONS WITH THE DEVELOPING COUNTRIES. SUCH PROGRAMS PROVIDE TANGILBE EVIDENCE OF U.S. SUPPORT FOR THEIR ECONOMIC DEVELOPMENT, INEVITABLY PREDOMINANT AMONG THEIR CONCERNS. IN FCT, AN INCREASING NUMBER OF COUNTRIES RELATE ECONOMIC DEVELOPMENT TO THEIR NATIONAL SDCURITY AND INDEPENDENCE.

4. IN NICARAGUA, FOR EXAMPLE, THE AID PROGRAM DIRECTLY DEMONSTRATES THE INTEREST OF THE UNITED STATES IN THE WELFARE OF THE NICARAGUAN
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PEOPLE, ITS HUMANITARIAN ORIENTATION HELPS TO CREATE A FAVORABLE LOCAL IMAGE IN OFFICIAL ANDNON-OFFICIAL CIRCLES, AND IT PROVIDES AN INCENTIVE FOR THE GON AND PRIVATE SECTOR TO DEDICATE MORE OF NICARAGUA'S OWN RESOURCES TO IMPROVING THE WELFARE OF THE POOREST SECTORS OF NICARAGUAN SOCIETY. IT ALSO HELPS US TO BUILD BRIDGES TO GROUPS THAT WILL INEVITABLY BE ASSUMING GREATER POLITICAL AND ECONOMIC
IMPORTANCE IN THE FUTURE.

5. PROVIDING ASSISTANCE TO THE BROAD SPECTRUM OF "DEVELOPING" OR "THIRDWORLD" COUNTRIES IN PURSUIT OF THESE ECONOMIC AND SOCIAL DEVELOPMENT OBJECTIVES SHOULD, OVER THE LONG RUN, TEND TO FOSTER MORE COOPERATIVE ATTITUDES IN OTHER AREAS OF THE "NORTH-SOUTH" DIALOGUE BEARING UPON OUR FOREIGN POLICY INTERESTS.
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